



State Board of Equalization

News Release

Judy Chu, Ph.D.
Chair

4th District – Los Angeles

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For Immediate Release
December 31, 2008

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Judy Chu Releases 4th Quarter 2007 Taxable Sales

California's Statewide Average Taxable Sales Declined 0.8%

Judy Chu, Ph.D., Chair of the State Board of Equalization (BOE), announced today that taxable sales in California decreased 0.8 percent in the fourth quarter of 2007, reflecting continued slowing economic growth.

Taxable sales totaled \$145.3 billion in the fourth quarter of 2007, down \$1.2 billion from the fourth quarter of 2006. Growth in taxable sales became weaker during 2007. This is the second straight quarter of declines in taxable sales. Taxable sales had not fallen in two consecutive quarters since 2002. In contrast, while personal income was down slightly in the fourth quarter 2007, data shows that California's personal income continued to outpace taxable sales, a trend seen since early 2006. *Editor's Note: Please see attached chart comparing taxable sales and personal income for all four quarters from 2003 through 2007.*

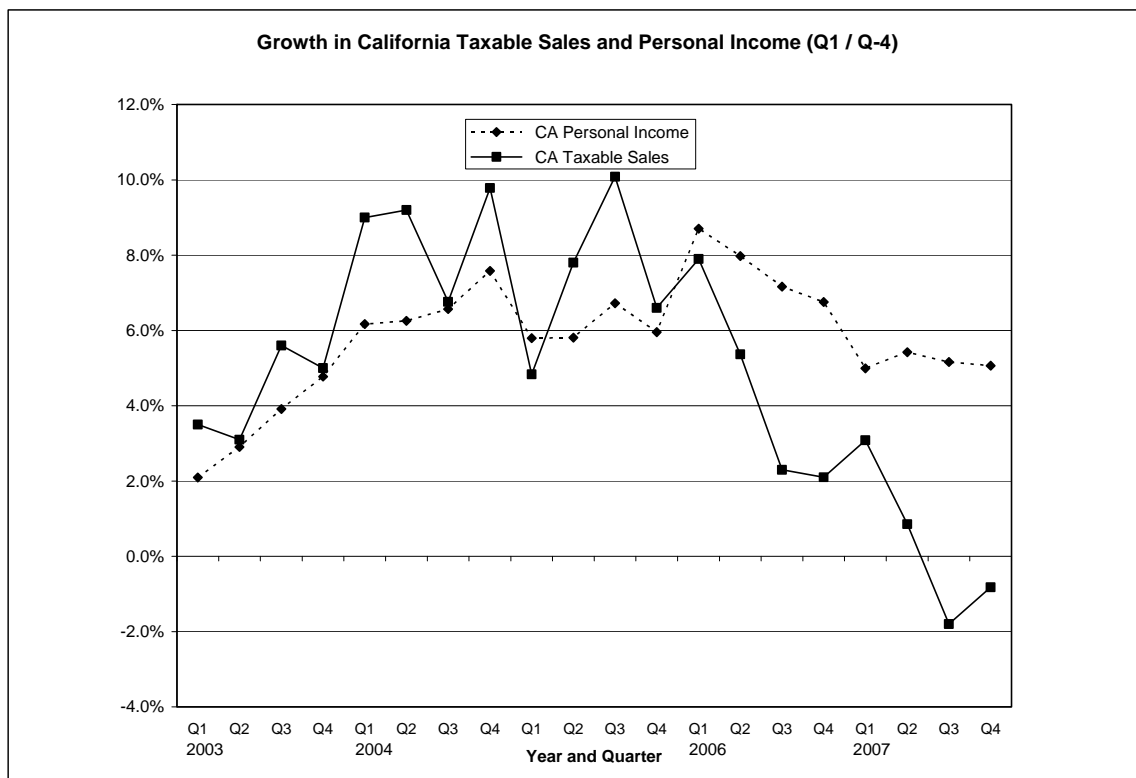
Fourth quarter taxable sales increased 0.4 percent in Los Angeles County, in contrast to the statewide average decrease of 0.8 percent. Taxable sales rose 1.4 percent in the City of Los Angeles, performing better than taxable sales in Los Angeles County or in contrast to the state average 0.8 percent decline. Burbank, Beverly Hills, and Santa Monica had relatively rapid growth rates of 6.8 percent, 5.6 percent and 3.0 percent, respectively.

In constant-dollar terms, taxable sales decreased by 2.7 percent in the fourth quarter 2007 over the same quarter a year ago. Constant-dollar taxable sales have not declined as much as 2.7 percent since 2001, and they have not decreased in two consecutive quarters since 2002.

The California Taxable Sales Deflator measured an inflation rate of 2.0 percent for the fourth quarter of 2007. In contrast, the California CPI rose 3.7 percent. (The CPI includes services, whose prices tend to increase faster than those of most taxable goods.)

For a complete list of Taxable Sales in California by Type of Business for Cities and Counties, visit:
www.boe.ca.gov/news/tsalescont.htm.

Notice: In early 2007, the Board of Equalization began a process of converting business codes of sales and use tax permit holders to North American Industry Classification System (NAICS) codes. Over one million permit holders will be converted over time from the previous business coding system to the NAICS codes. As a result of the coding change process, industry data for 2007 are not comparable with data from 2006. Therefore, we will not publish percentage changes by industry until the coding process has been substantially completed. The NAICS coding process has also caused us to change the format of Table 1 attached to this release. We will continue to follow the general structure of our tables in past reports. However, some industries were previously listed within categories that no longer exist, and others have been combined into new ones.



Chair Judy Chu represents the Fourth Board of Equalization District, which includes Los Angeles County. She won election to the BOE in November 2006 and was elected Chair of the Board of Equalization in January 2008. Chair Judy Chu is also a voting member of the Franchise Tax Board.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes.

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